

CitizensAdvisor



Citizens Board Clarifies Policy Language for Water Losses

MAITLAND, FL – Responding to skyrocketing water claims losses, particularly in South Florida, Citizens Property Insurance Corporation's Board of Governors this week approved a slate of policy changes to bolster oversight while continuing to protect policyholders who need immediate emergency repairs.



By unanimous vote, Citizens board agreed to modify policy language in response to a surge of questionable water loss claims by limiting initial payouts for emergency services and clarifying ambiguous policy language relating to coverages typically affected by water loss claims. The recommended changes will be forwarded to the Office of Insurance Regulation for approval.

The recommended changes are first steps, board members were told, to better control costs without jeopardizing customer service following a spike in the frequency, severity and litigation of water claims particularly in South Florida, which last year accounted for 72 percent of all water loss claims. Recent data shows that this troubling claim activity is spreading to other regions of the state.

The board action comes as lawmakers continue discussions to create a framework governing the use of post-loss assignment of benefits to ensure that customers remain in control of their own claims. Citizens' contract changes would complement these critical legislative initiatives.

"The bottom line is these policy changes and clarifications are necessary first steps to keep premiums as low as possible while protecting our policyholders who have legitimate claims," said Barry Gilway, Citizens President, CEO and Executive Director. "However, they in no way fix the assignment of benefits cost-driver that must be addressed by statute."

"Without these changes, Citizens would be forced either to take more draconian measures to curb costs or continue to raise rates," Gilway continued.

Water loss claims now account for more than half of every premium dollar collected in Miami-Dade County. The issue, though concentrated in South Florida, appears to be spreading throughout the state.

One result of ambiguous language has been an increase in litigated water claims. In 2014, 38.4 percent of water loss claims in South Florida (Palm Beach, Broward and Miami-Dade) were litigated, more than double the frequency of litigated claims originating in the region in 2010.

On Wednesday, the board approved changes to:

- Limit initial payouts for emergency services and temporary repairs prior to a report of loss to Citizens. Additional coverage for emergency services will be available following Citizens approval.

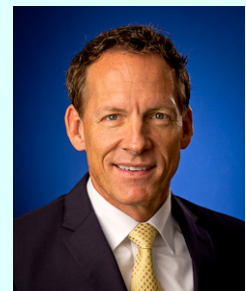
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December 11, 2015

Events

March 16, 2016 @ 9 a.m.
[Board of Governors](#)

Spotlight



Gary Aubuchon
Citizens Board of
Governors

Policies in Force

509,100
as of December 4, 2015

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- Exclude coverage of permanent repairs completed prior to a Citizens inspection of the damage.
- Require that claims be reported within 72 hours of when policyholder knew or should have known that a loss had occurred.
- Set a limit for additional coverage to restore uniformity of appearance by matching repairs with adjacent undamaged areas.
- Clarify language relating to the replacement of plumbing systems following collapse, blockage or deterioration.

In 2014, 39.2 percent of policyholders filing water loss claims in Palm Beach, Broward and Miami-Dade counties hired attorneys or public adjusters before filing an initial claim with Citizens. Elsewhere in the state, 4.2 percent of policyholders were retaining attorneys or public adjusters before reporting claims to Citizens. More than 98 percent of all litigated water claims initiate in the three county South Florida region.

Costs of litigated claims are nearly three times higher than non-litigated claims. In 2014, the average litigated claims costs \$27,631 compared to \$9,028 for non-litigated claims. Those costs must be paid by premiums collected by all policyholders within the territory where the loss occurs.

"With these changes, Citizens is attempting a surgical approach to protect policyholders and contain costs," Gilway said.

If approved by OIR, the policy language changes would take effect in mid-2016 for new policies and existing Citizens policyholders when they come up for renewal.

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Florida Again Dodges Storms as 2015 Hurricane Season Comes to Close

TALLAHASSEE, FL – Floridians bid farewell to the 2015 hurricane season Tuesday as the state escaped the path of a major storm for the 10th year in a row.

The decade-long lull has allowed the state's private property insurance market to rebuild and Citizens Property Insurance Corporation to continue a return to its role as the state's insurer of last resort. The 2015 hurricane season, which began June 1, officially ended at midnight, November 30.

Citizens entered 2015 with 661,084 policies and a total exposure of \$200.5 billion. As Citizens policyholders continue to find comparable coverage in an increasingly vibrant and financially secure private insurance market, Citizens' policy count as of November 27 has been reduced to 505,701, with a total exposure of \$153.0 billion.

Successful depopulation efforts over the past few years have allowed Citizens to shrink policy count by 66 percent since January 2012, when Citizens insured nearly 1.5 million policyholders with a total exposure of \$514 billion

The reduced exposure, coupled with affordable reinsurance has allowed Citizens to eliminate the assessment risk for Florida policyholders following a 1-in-100 year storm, a milestone that reflects the fact that Citizens is in the best financial position since its creation in 2002.

"We've been lucky to go 10 years without a major storm, but we've taken full advantage of that good fortune to benefit all Floridians," said Chris Gardner, Chairman of the Citizens Board of Governors. "We've reduced rates for a majority of policyholders and increased our reserves, but most importantly we've eliminated the risk of assessments after a 1-in-100 year storm. Four years ago people would have said all that wasn't possible, but we've done it."

Florida law requires Citizens to levy assessments on most Florida policyholders if it is unable to pay claims following a major storm or series of events. In 2011, Floridians would have faced a potential assessment of \$11.6 billion if Florida had been hit by a 1-in-100 year storm.



Citizens Recognizes International Fraud Awareness Week

TALLAHASSEE, FL – Citizens Property Insurance Corporation joined other insurers and government groups in November to highlight the need to fight fraud, which touches everyone from its victims to neighbors who end up footing the bill.

In recognition of International Fraud Awareness Week (November 15-21), Citizens announced it was embarking on a long range initiative to address insurance fraud, particularly as it relates to water loss claims that have risen at an alarming rate in recent years, especially in South Florida.

"Fraud: Identify It. Report It. Help Stop It!" is a public education campaign to increase awareness among Citizens employees, agents, policyholders and the public of the costs of insurance fraud and the ways to prevent it. In 2016, Citizens will reach out to policyholders through mailers and other media to provide practical advice and spread the word that insurance fraud is everyone's concern.

"At Citizens, we fight fraud all year long, but we can't do it alone," said Barry Gilway, Citizens President, CEO and Executive Director. "Knowledge and vigilance are powerful tools to identify, report and stop costly fraud."

Statewide, water loss claims account for a third of every premium dollar collected by Citizens. In Miami Dade County, water claims soak up more than half of every dollar paid by Citizens policyholders. Those losses come despite evidence that other factors including construction type and age of home are not significantly different in Miami-Dade than in other parts of the state.

Fraudulent claims hurt nearby policyholders who must shoulder the burden of higher rates. Florida law requires that losses within a particular geographic territory be paid by policyholders within that territory. For 2016, Miami-Dade personal lines policyholders will see an average rate increase of more than 6 percent. Were it not for water claims, nine out of 10 Miami-Dade policyholders would see rate decreases next year.

Citizens has already taken internal steps to strengthen its fraud fighting resources by bolstering analytics and data mining capabilities for its Special Investigation Unit (SIU), Office of Internal Audit and Claims information Technology, Security and Agency Audit departments. Citizens' investigators work closely with other agencies, particularly the Department of Financial Service to detect and prosecute fraudsters.

"Fraud is a serious crime and affects us all. That is why it is critical that Citizens addresses this issue," said Joseph Theobald, Citizens SIU Director. "Everyone at Citizens plays an important role in helping to stop fraud."

News Links

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Tampa Bay Times

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News Service of Florida

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WJCT

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Fraud & Order

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